

NSP Program Income

General Principles

NSP Program Income follows the rules of the Community Development Block Grant (CDBG) Entitlement Program for program income.¹

Exclusion from definition of Program income:

“Program income does not include: Any income received in a single program year by the recipient and all its subrecipients if the total amount of such income does not exceed \$25,000;²

Grantees must track and aggregate NSP revenue (including revenue received by its Sub-Grantees) on an annual basis to determine if the exclusion applies. For the NSP, the term “program year” means the 12 months period following the NSP program start date specified by the State at the time of grant award.

When a Grantee receives NSP revenues during a program year that exceeds \$25,000, all such amounts become NSP Program Income.

NSP Funds used in combination with other funds:

Revenue derived from an activity using NSP and other funds results in NSP revenue/program income in the same proportion that NSP funds represent to the total cost of the activity.

Total Cost of Activity	\$300,000
NSP funds	\$150,000 (50% of total)
Other Funds	\$150,000
Revenue	\$250,000
NSP Program Income	\$125,000 (50% of total)

Applicable Credits

Items defined as an “applicable credit” are NOT program income. Applicable credits, as identified in this Guide, are “receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards” (2 CFR Part 225—Cost Principles For State, Local, And Indian Tribal Governments (OMB Circular A–87, Appendix A. C. 4. Applicable Credits). As such, an entity that receives a credit in the implementation of an NSP activity will apply such credit to reduce its request for NSP funds.

¹ 24 CFR 570.500(a) – see included text

² 24 CFR 570.500(a)(4)(i)

Sub Grantees

Sub-Grantees must comply with all of the requirements for program income that apply to the Grantee

Grantees are responsible for ensuring that their Sub-Grantees understand and comply with program income rules using enforceable contract terms and appropriate oversight.

Title 24 Code of Federal Regulations (CFR)
Sec. 570.500 Definitions³

For the purposes of this subpart, the following terms shall apply:

(a) Program income means gross income received by the recipient or a subrecipient directly generated from the use of CDBG funds, except as provided in paragraph (a)(4) of this section.

(1) Program income includes, but is not limited to, the following:

- (i) Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds;
- (ii) Proceeds from the disposition of equipment purchased with CDBG funds;
- (iii) Gross income from the use or rental of real or personal property acquired by the recipient or by a subrecipient with CDBG funds, less costs incidental to generation of the income;
- (iv) Gross income from the use or rental of real property, owned by the recipient or by a subrecipient, that was constructed or improved with CDBG funds, less costs incidental to generation of the income;
- (v) Payments of principal and interest on loans made using CDBG funds, except as provided in paragraph (a)(3) of this section;
- (vi) Proceeds from the sale of loans made with CDBG funds;
- (vii) Proceeds from sale of obligations secured by loans made with CDBG funds;
- (viii) [Reserved]
- (ix) Interest earned on program income pending its disposition; and
- (x) Funds collected through special assessments made against properties owned and occupied by households not of low and moderate income, where the assessments are used to recover all or part of the CDBG portion of a public improvement.

(2) Program income does not include income earned (except for interest described in Sec. 570.513) on grant advances from the U.S. Treasury. The following items of income earned on grant advances must be remitted to HUD for transmittal to the U.S. Treasury, and will not be reallocated under section 106(c) or (d) of the Act:

- (i) Interest earned from the investment of the initial proceeds of a grant advance by the U.S. Treasury;
- (ii) Interest earned on loans or other forms of assistance provided with CDBG funds that are used for activities determined by HUD either to be ineligible or to fail to meet a national objective in accordance with the requirements of subpart C of this part, or that fail substantially to meet any other requirement of this part; and
- (iii) Interest earned on the investment of amounts reimbursed to the CDBG program account prior to the use of the reimbursed funds for eligible purposes.

³ Source: 53 FR 8058, Mar. 11, 1988, unless otherwise noted

(3) The calculation of the amount of program income for the recipient's CDBG program as a whole (i.e., comprising activities carried out by a grantee and its subrecipients) shall exclude payments made by subrecipients of principal and/or interest on CDBG-funded loans received from grantees if such payments are made using program income received by the subrecipient. (By making such payments, the subrecipient shall be deemed to have transferred program income to the grantee.) The amount of program income derived from this calculation shall be used for reporting purposes, for purposes of applying the requirement under Sec. 570.504(b)(2)(iii), and in determining limitations on planning and administration and public services activities to be paid for with CDBG funds.

(4) Program income does not include:

- (i) Any income received in a single program year by the recipient and all its subrecipients if the total amount of such income does not exceed \$25,000; and
- (ii) Amounts generated by activities that are financed by a loan guaranteed under section 108 of the Act and meet one or more of the public benefit criteria specified at Sec. 570.209(b)(2)(v) or are carried out in conjunction with a grant under section 108(q) in an area determined by HUD to meet the eligibility requirements for designation as an Urban Empowerment Zone pursuant to 24 CFR part 597, subpart B. Such exclusion shall not apply if CDBG funds are used to repay the guaranteed loan. When such a guaranteed loan is partially repaid with CDBG funds, the amount generated shall be prorated to reflect the percentage of CDBG funds used. Amounts generated by activities financed with loans guaranteed under section 108 which are not defined as program income shall be treated as miscellaneous revenue and shall not be subject to any of the requirements of this part, except that the use of such funds shall be limited to activities that are located in a revitalization strategy area and implement a HUD approved area revitalization strategy pursuant to Sec. 91.215(e) of this title. However, such treatment shall not affect the right of the Secretary to require the section 108 borrower to pledge such amounts as security for the guaranteed loan. The determination whether such amounts shall constitute program income shall be governed by the provisions of the contract required at Sec. 570.705(b)(1).

(5) Examples of other receipts that are not considered program income are proceeds from fund raising activities carried out by subrecipients receiving CDBG assistance (the costs of fundraising are generally unallowable under the applicable OMB circulars referenced in 24 CFR 84.27), funds collected through special assessments used to recover the non-CDBG portion of a public improvement, and proceeds from the disposition of real property acquired or improved with CDBG funds when the disposition occurs after the applicable time period specified in Sec. 570.503(b)(8) for subrecipient-controlled property, or in Sec. 570.505 for recipient-controlled property.